

# QUIZ — FINANCING

Select the answer that best answers the question or completes the statement.

1. Social Security benefits are financed mostly by:
  - A. Payroll taxes paid by employees, employers, and the self-employed
  - B. The Internal Revenue Service
  - C. The income tax
  - D. All of the above

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2. “FICA” stands for:
  - A. Fair Insurance Certification Act
  - B. Federal Insurance Contributions Act
  - C. Federal Intervention and Coercion Authority
  - D. Federal Integrity Company of America

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3. The trust funds financed by the Social Security tax are:
  - A. Highway, Unemployment Insurance, Civilian Reserves
  - B. Old Age and Survivors Insurance, Disability Insurance, Medicare Hospital Insurance
  - C. Supplementary Medical Insurance, Workers’ Compensation, Unemployment Insurance
  - D. Civilian Conservation Corps, National Guard, Agricultural subsidies

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4. The 1983 Social Security Amendments:
  - A. Strengthened the financing of the Social Security system
  - B. Added many new benefits
  - C. Changed the amount of work needed to earn credits
  - D. Created universal health insurance

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5. The purpose of allowing Social Security reserves to build up is to:
  - A. Make it possible to pay current benefits to more people.
  - B. Have money on hand to use for other purposes besides paying benefits.
  - C. Permit Social Security to be able to pay benefits to people retiring in the future when there will be fewer workers and more beneficiaries.
  - D. All of the above.

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6. Medicare's Supplementary Medical Insurance is funded by:
- A. Premiums paid by individuals enrolled in the program plus contributions from Federal general revenues.
  - B. Contributions from those who can afford to pay.
  - C. A flat tax on income up to a certain amount.
  - D. All of the above.
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7. Pay-as-you-go is a term used to describe the method by which Social Security traditionally operated to pay benefits, in which:
- A. General revenues are used to pay Social Security benefits.
  - B. Taxes on current workers are used to pay benefits to current beneficiaries with a small reserve to pay benefits any month tax collections fall short.
  - C. Taxes on the benefits of rich retired people are used to pay benefits to poor people.
  - D. Monthly premiums paid by all workers are used to pay benefits.
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8. The maximum amount of earnings subject to the Social Security tax is called:
- A. The flat tax
  - B. The earnings and benefit base
  - C. The earnings limit
  - D. The tax ceiling
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9. Social Security has been described as:
- A. A compact between generations
  - B. A social contract between the government and the people
  - C. A pipeline from today's workers to yesterday's workers
  - D. All of the above
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10. Under the law, Social Security trust funds can only be used to:
- A. Pay benefits, administrative expenses, and invest in government bonds
  - B. Pay benefits
  - C. Pay benefits and invest in the stock market
  - D. Pay benefits and invest in housing

